

The Dangers of Using 360 Degree Feedback for Performance Appraisal

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In a time of low unemployment and transient loyalty, knowledgeable managers are keenly aware of the need to motivate, develop, and retain quality people. Research has clearly indicated that employee satisfaction is a key ingredient to loyalty and retention and is heavily influenced by feedback on performance. Managers increasingly, and mistakenly, look to 360-degree assessment as a quick and easy solution to the feedback dilemma.

Trend: Inappropriate use of 360 degree feedback can unravel years of environment building effort and huge investments of bottom line dollars. It is not, however, the "silver bullet".

There is a rising demand in organizations for improved performance and results. American business during the 1970's and '80's was in serious trouble. In the 1990's, this situation provided the energy for finding new approaches and processes to boost performance. In the new century, organizations in all sectors are challenged to operate even more responsively and efficiently.

Raising individual and team performance levels is central to this process and 360 feedback has been increasingly used as part of the solution. Unfortunately, there is an advancing drift toward using 360 feedback for performance appraisal. Organizations need to be careful here. Using 360 for appraisal may be an intriguing idea, but it's not the appropriate use of this powerful new technology. Used for appraisal purposes, it can put the organization at unnecessary risk and has a *negative* impact on motivation, performance, and the entire work environment.

Tools With Different Purposes

At its best, performance appraisal is an evaluative *process* used to determine results. Its purpose is to measure and evaluate contribution to the organization in order to provide feedback, and fairly distribute rewards. Performance appraisal allows employees to more clearly see the results of their efforts, the relationship between their job and the organization's performance, and be rewarded for their particular contribution.

360 feedback is a developmental tool. It is designed to encourage employees to grow and develop by providing feedback on their proficiency in the skills, competencies, behaviors, and practices related to the conduct of their jobs. By design, it is good at identifying, measuring, and improving the skills and competencies needed to perform successfully. It is especially good for the hard-to-quantify interpersonal areas (often labeled the 'soft skills') of behaviors and practices. Examples of this include listening, informing, resolving conflict, coaching, teamwork, and leadership.

Performance appraisal, on the other hand, is effective for measuring outcomes and results, what people are actually hired for and paid to produce. It is designed to clarify and document the goals, outcomes, milestones, time frames, and measurements to be used. Performance appraisal and employee development are separate and distinct processes with different purposes and different measurement tools. They can and do complement each other. They are related, but they are distinct.

Problems With The Linkage

It is too often assumed that since multi-source is better than single source, automated is faster than manual, and evaluating performance (results) is the same as measuring proficiencies (skills, competencies, etc.), then 360 feedback is simply a more efficient and effective tool for conducting

appraisals. Assumptions like these can get you in trouble. For developmental purposes, multi-source feedback does have more validity and leveraging ability than single source. It is broader and brings in multiple and more balanced perspectives. But inexperienced multi-source raters are generally not as adept at providing balanced and objective feedback as the single source supervisors they may be replacing. They can have enormous problems separating honest observation from personal differences and biases. For appraisal purposes, co-workers are insufficiently qualified to give evaluative feedback that affects pay and promotion.

Because 360 feedback is usually automated or web-based, it has what marketing people call "sizzle". But is it appropriate to performance appraisal because of its speed and ease? What is it that makes appraisal or development particularly effective? Research indicates that it is the quality of the conversation between the manager and the employee that is important. Being able to explore and discuss aspects of one's work with clarity and without the usual time pressures is highly valued by most employees. It is the quality of the interaction, the essential performance conversation that provides motivation and builds trust and loyalty.

Performance appraisal in most organizations is used to determine merit increases and bonus amounts. However, if 360 feedback is linked to compensation decisions, it loses its power and benefit as a developmental tool. When employees recognize that their financial rewards are based on multi-source feedback ratings, they quickly see how the new game is played. Realizing what is required to achieve a good appraisal, employees can manipulate the process to ensure the desired outcome. The 'ratee' can be helped or hurt. Putting two and two together, employees realize that "if you scratch my back, I'll scratch yours." Suspicions that were formerly directed at performance appraisal are now focused on 360 feedback. The "new" system becomes tainted. Trust and honesty begin to break down in favor of getting a good review. As a result, actual skill proficiencies can decline which, in turn, leads to a weakened ability to compete or deliver, and a performance environment of mediocrity. This can result in defensiveness, denial, conflict, accusations, and loss of trust. It puts the relationships within the work group in jeopardy and can lead to a decline in productivity and performance.

Finally, organizations using 360 feedback as a performance appraisal tool are exposing themselves to increased liability. 360 feedback is not a tested or validated mechanism for performance appraisal. An organization needs to be prudent and consistent with the standard and proven performance appraisal approaches. According to EEOC guidelines, an "organization must demonstrate that its appraisal process is valid, that it is job related, and that it accurately measures significant aspects of job performance. The organization must demonstrate that the appraisal system is the best available method, that no other system is less discriminatory." If an organization uses 360 feedback for appraisal and promotion purposes, it must be particularly careful to ensure that those contributing to the appraisal were not violating the EEOC guidelines or the Civil Rights Act. Consider the normal, unconscious bias of only one manager. Now multiply that by four to eight co-workers and you begin to see the risk expand geometrically.

Potential Dangers

Given the distinctions between the two, and given the drift toward co-mingling, what occurs when the 360 feedback is actually used for performance appraisal? Here is a list of potential dangers, risks, and unintended consequences that can result when the two are merged.

- Skewed and unreliable data from raters who, consciously or otherwise, shade their responses to protect or punish the ratee.

- Increased cynicism from employees who know the system is being gamed.
- Skill levels stay relatively flat or even decline because the "360 appraisal" is not taken seriously. The numbers needed for a "good" appraisal can be informally fixed by silent agreement among raters. Maximizing the size of the increase or bonus overshadows the desire to elevate performance.
- Individual development plans become window dressing. People may go through the motions to create them but expend little effort in implementation. When not held accountable for this, performance levels off.
- If employees don't get a "good" appraisal, blame is placed on co-workers causing a rise in the level of mistrust and apprehension. The work environment becomes politicized, candor and honesty are compromised, trust and integrity are damaged, risks are avoided, motivation diminishes, morale drops, performance declines, and turnover rises.

The Bottom Line

Executives and managers considering the use of a 360-feedback tool for performance appraisal need to be aware of the inherent differences between them. Be clear about your purpose. What is it that you are trying to achieve? What results and outcomes do you want to have? The bottom line: Keep developmental feedback separate from appraisal and compensation decisions. Using 360 feedback for the wrong reason can result in decreased trust, loyalty, and performance, and increased risk. Large investments of time, money, and credibility will be lost.

Guidelines for Using 360 Feedback and Performance Appraisal

Here is a set of guidelines for when to use 360 feedback and performance appraisal that can help your organization stay squarely on the road of increased performance and success:

Use performance appraisal to:

- Set clear, specific goals
- Establish measurements to determine outcomes and results
- Evaluate the degree to which outcomes and results were achieved
- Determine, based on performance, what increase or bonus is due

Use 360 feedback to:

- Identify, the skills, competencies, behaviors, and practices needed to successfully achieve goals, outcomes, and results
- Measure proficiencies in skills, competencies, behaviors and practices
- Assess where improvement is needed to achieve desired results
- Create targeted development plans that increase capabilities and performance
- Assess what environment will bring out the best results from individuals and teams